

Message Text

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ORIGIN EB-08

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DRAFTED BY EB/TRA/MA:RRMCKEON:EW
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FMC:BKEHOE (SUBS)
MARAD: RBOURDON (SUBS)
ARA/AND/E:MGUERRA

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O 062305Z SEP 78
FM SECSTATE WASHDC
TO AMEMBASSY QUITO IMMEDIATE
INFO AMCONSUL GUAYAQUIL IMMEDIATE

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E.O. 11652: N/A

TAGS: EWWT, EC

SUBJECT: GOE CARGO RESERVATION LAW: CCT COMPLAINT

REF: A) 77 STATE 92960, B) 77 GUAYAQUIL 1031,
C) 77 QUITO 4043, C) 77 GUAYAQUIL 944, E) 77 STATE
139089

1. BEGIN SUMMARY. CCT, AN AMERICAN-OWNED CARRIER SERV-
ING A MIAMI-GUAYAQUIL ROUTE UNDER A FOREIGN FLAG, HAS
INFORMED DEPT, MARAD AND FMC THAT THE ECUADORIAN GOVERN-
MENT WILL NOT GRANT IT THE WAIVERS NECESSARY TO ENTER
ECUADORIAN PORTS UNTIL CERTAIN NEGOTIATIONS WITH TRANSNAVE
TAKE PLACE. NEGOTIATIONS SCHEDULED FOR SEPTEMBER 7 HAVE
FALLEN THROUGH AND NO NEW DATE HAS BEEN SET. OBSTRUC-
TION TO CCT CARRIAGE WOULD ADVERSELY AFFECT CCT AND U.S.
SHIPPERS WHO RELY ON THEIR CONTAINER/INTERMODAL SERVICE.

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CCT IS IN THE PROCESS OF CONVERTING TO U.S. FLAG. MARAD
IS AND WILL BE FINANCING (UP TO 442 MILLION) FOR NEW
SHIPS. BECAUSE OF THIS ARRANGEMENT AND BECAUSE CCT
LOSSES COULD LEAD TO DEFAULT ON USG LOANS, DEPARTMENT
REQUESTS EMBASSY MAKE SOONEST REPRESENTATION AT APPROPRIATE
LEVEL REQUESTING IMMEDIATE WAIVERS BE GRANTED TO CCT AND
THAT THEY CONTINUE DURING COURSE OF RECONVENED CCT/TRANSNAVE

TALKS.

2. BACKGROUND. COORDINATED CARIBBEAN TRANSPORT (CCT), A WHOLLY OWNED SUBSIDIARY OF TRANSWAY, SERVICES THE MIAMI-ECUADOR ROUTE WITH A CHARTERED CONTAINER SHIP UNDER A FOREIGN FLAG. CCT HAS AGREED TO WHOLLY CONVERT TO U.S. FLAG SHIPS BY THE END OF 1979 UNDER A CONTRACT WITH USDOC MARITIME ADMINISTRATION (MARAD) WHICH IS FINANCING THE CONSTRUCTION OF TWO TUG BARGES FOR \$42 MILLION UNDER THE TITLE XI PROGRAM. SHIPBUILDING PROBLEMS HAVE DELAYED DELIVERY OF THE VESSELS UNTIL MAY 1979. A THIRD VESSEL WILL BE BUILT UNDER A SIMILAR ARRANGEMENT UPON COMPLETION OF THE FIRST.

3. WE UNDERSTAND THAT UNDER ECUADOR'S CARGO RESERVATION LAW ALL VESSELS ARE REQUIRED TO OBTAIN A WAIVER TO ENTER ECUADORIAN PORTS. LAST WEEK, THE ECUADORIAN CONSUL IN MIAMI REFUSED AT FIRST TO GRANT SUCH A WAIVER TO A CCT VESSEL; ONLY AFTER THE VESSEL WAS ON THE HIGH SEAS WAS THE WAIVER ACCORDED. CCT HAS COMPLAINED THAT COMMANDANTE EDISON RUIZ, DIRECTOR OF ECUADOR'S MERCHANT MARINE AUTHORITY, THREATENED THAT NO MORE WAIVERS WILL BE GRANTED CCT UNTIL NEGOTIATIONS TAKE PLACE WITH ECUADOR'S NATIONAL LINE, TRANSNAVE FOR RATIONALIZING CARRIAGE BETWEEN MIAMI AND GUAYAQUIL. IT IS BELIEVED THAT THE GOE WILL PRESS CCT TO GIVE UP 50 OF ITS CARRIAGE ON THAT ROUTE UNDER LIMITED OFFICIAL USE

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THE THEORY THAT GOE'S 50 PERCENT CARGO RESERVATION LAW MAY BE APPLIED BY PORT. TRANSNAVE HAS REPORTEDLY LOST HEAVILY ON ITS RECENTLY INSTITUTED SERVICE ON THIS ROUTE AND WISHES TO IMPROVE ITS CARGO SHARE. CCT AND TRANSNAVE OFFICIALS MET IN 1977 ON RELATED ISSUES BUT FAILED TO ARRIVE AT ANY AGREEMENT (SEE REFS.).

4. A MEETING SCHEDULED FOR 9/7/78 BETWEEN CCT, TRANSNAVE, AND COMMANDANTE RUIZ HAS FALLEN THROUGH AND NO NEW DATE HAS BEEN SET. MEANWHILE, A CCT VESSEL IS LOADING IN MIAMI AND WE HAVE BEEN INFORMED THAT IT WILL BE REFUSED THE WAIVER NECESSARY TO ENTER ECUADORIAN PORTS.

5. ACTION REQUESTED: EMBASSY MAKE REPRESENTATION AT APPROPRIATE LEVEL AS SOON AS POSSIBLE, REQUESTING THAT CCT RECEIVE WAIVERS NECESSARY TO PERMIT ITS CONTINUED SERVICE WHILE CCT/TRANSNAVE DISCUSSIONS TAKE PLACE. CHRISTOPHER

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